

## AGENDA



Thursday, March 10, 2011

**Austin Energy  
RECOMMENDATION FOR COUNCIL ACTION****Item No. 2**

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**Subject:** Authorize negotiation and execution of a one-month renewal of a lease for 49,911 square feet of office space and a new 72-month lease with a one-year extension option for 71,806 square feet of office space at 811 Barton Springs Road with T-C Barton Springs LLC for an amount not to exceed \$12,167,173 with an extension option for an amount not to exceed \$2,208,034, for a total new lease amount not to exceed \$14,375,207.

**Amount and Source of Funding:** Funding is contingent upon available funding in future budgets.

**Fiscal Note:** There is no unanticipated fiscal impact. A fiscal note is not required.

**For More Information:** Pat Alba, 322-6066

**Boards and Commission Action:** Recommended by the Electric Utility Commission.

**Prior Council Action:** August 9, 2001 and May 27, 2004 - Approved original leases; July 24, 2008 – Approved lease amendments and ratified previous lease amendments.

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Austin Energy has occupied space at 811 Barton Springs Road since 2001. Austin Energy recommends continuing the lease of existing space at 811 and expanding its lease space to relieve over-crowding at the Town Lake Center (TLC) building, and to accommodate the return next year of Austin Energy employees who are temporarily assigned to the Steck Avenue facility for the Customer Care and Billing project.

Currently, Austin Energy leases 49,911 square feet of general office space, training rooms and meeting rooms at 811. This space accommodates several Austin Energy mission critical and strategic activities such as Engineering and Power Production and MAXIMO (the city-wide inventory management system), as well as Energy Efficiency, Renewable Power Generation, Green Building, Customer Care and Marketing.

The original lease expires on September 30, 2011. Austin Energy recommends entering into a new lease for several reasons: 1) market research indicates that the base rate of the new lease is competitive in the downtown Austin office market; 2) 811 is in close proximity to Austin Energy headquarters at TLC; 3) an office relocation would be disruptive to mission critical activities; 4) relocation would require a significant expenditure to recreate the IT and Security infrastructure already established at 811; and 5) it would relieve over crowding at TLC.

Austin Energy is requesting authorization for negotiation and execution of a one month extension of the current lease of 49,911 square feet and for a subsequent 72 month lease of that space with an additional 21,895 square feet, with a one-month extension option. These lease transactions will give Austin Energy a total of 71,806 square feet at 811 Barton Springs Road.

The one month renewal of the existing lease would be for the period of October 1 to October 31, 2011, with the new lease commencing November 1, 2011 and ending October 31, 2017. The extension, if exercised, would end October 31, 2018.

The attached table illustrates projected rental costs, including an estimated pass-through of approximately \$12 per square foot annually of operating expenses such as utilities, janitorial and maintenance, over the extended lease period and the new lease periods. The new lease will include a space improvement allowance of \$12 per square foot.